

Message Text

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43

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 EB-11 COME-00 TRSE-00 SCEM-02

INT-08 AID-20 DRC-01 /167 W
----- 100195

R 121021Z NOV 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8191

INFO AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: ENRG,

SUBJ: CONSEQUENCE FOR THAILAND AND PETROLEUM CUTBACKS

REF:STATE 216846

1. SUMMARY. OIL COMPANY SOURCES ANTICIPATE ARAB CRUDE PRODUCTION CUTS ANNOUNCED THUS FAR WILL MEAN AVERAGE 15 PERCENT LESS PETROLEUM PRODUCTS FOR THAILAND. THAILAND'S HEAVY REQUIREMENTS FOR DIESEL FUEL WILL BE HARDEST HIT AMONG PETROLEUM PRODUCTS. OIL COMPANIES HOPE THAILAND CAN AVOID PETROLEUM RATIONING BY CAREFUL CONSERVATION PROGRAM. THAILAND HAS RESERVES IN COUNTRY TOTALING APPROX 47 DAYS SUPPLY AT PRESENT CONSUMPTION RATES THAT ARE IN EXCESS OF 170,000 BARRELS/DAY. RTG COMMITTEE ON PETROLEUM PRODUCT PRICES SEEMS PREPARED TO RECOMMEND TO CABINET THAT IT PERMIT THAI FIXED GASOLINE PRICE TO RISE APPROX 12 PERCENT AND DIESEL PRICE APPROX 38 PERCENT TO REFLECT LAST OPEC CRUDE PRICE HIKES. HOWEVER, PETROLEUM COMMITTEE APPEARS UNWILLING TO RECOMMEND LIMITED OFFICIAL USE

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THAT PETROLEUM PRODUCT PRICES IN THAILAND BE ALLOWED TO FLOAT

ACCORDING TO WORLD-WIDE SUPPLY AND DEMAND IN THE FUTURE.
INITIAL SLOW PACE OF RTG RESPONSE TO PETROLEUM CRISIS SHOULD
ACCELERATE AFTER CABINET MEETING NOVEMBER 13. END SUMMARY.

2. THAILAND DEPENDS ON MIDDLE EAST CRUDE FOR 99 PERCENT OF
PETROLEUM PRODUCTS CONSUMED IN THAILAND. OIL COMPANY REPS IN
BANGKOK PREDICT EFFECT OF ARAB PRODUCTION CUT-BACKS ANNOUNCED
SO FAR WILL BE TO REDUCE TOTAL PETROLEUM PRODUCT AVAILABILITY
HERE 15 PERCENT. PRESENT RESERVES IN COUNTRY ARE APPROX 47 DAYS
SUPPLY AT CONSUMPTION RATE IN EXCESS OF 170,000 BARRELS PER DAY.
GREAT UNCERTAINTY CONTINUES TO PREVAIL OVER EXACT EFFECTS OF
ARAB PRODUCTION CUT-BACKS.

3. SINCE THAILAND'S DEMAND FOR DIESEL FUEL IS EXCEPTIONALLY
HIGH, INITIAL SHORTAGES WILL AFFECT DIESEL MOST HEAVILY. IN
ADDITION, ESSO OFFICIAL BELIEVES THAT EVENTUALLY ONE-THIRD OF TOTAL
DIESEL FUEL CONSUMED IN THAILAND WILL CEASE TO BE AVAILABLE
BECAUSE OF CONSEQUENCES ARAB PRODUCTION CUT-BACKS. IF THIS
BELIEF ACCURATE, WIDE SPREAD ADVERSE ECONOMIC EFFECT COULD BE
EXPECTED ON ALL ASPECTS DOMESTIC TRANSPORTATION.

4. OIL COMPANY REPS BELIEVE CURRENT PETROLEUM PRODUCT SHORTAGES
OF 15 PERCENT CAN BE OFF-SET BY INTELLIGENTLY ADMINISTERED COUNTRY-
WIDE CONSERVATION PROGRAM. DURING PAST WEEK OIL COMPANIES HAVE
HELD MEETINGS WITH RTG PETROLEUM WORKING COMMITTEE COMPOSED
OF OFFICIALS FROM COMMERCE AND INDUSTRY MINISTRIES. ALTHOUGH MAIN
SUBJECT DISCUSSED WAS NECESSITY TO PERMIT RTG FIXED
PETROLEUM PRICE TO RISE, COMPANIES ALSO URGED TO CONSERVE
PETROLEUM PRODUCTS. IN ADDITION COMPANIES HAVE INITIATED
CONSERVATION CAMPAIGN IN NEWSPAPERS AND EVEN TV DESIGNED
TO REACH THE CONSUMER DIRECTLY. EVEN THOUGH RTG HAS TAKEN NO
OFFICIAL ACTION TO REDUCE PETROLEUM CONSUMPTION YET, SO FAR COM-
PANY REPS EXPECTED QUICKENED PACE AFTER PETROLEUM WORKING COM-
MITTEE REPORTS TO CABINET NOVEMBER 13.

5. DURING CONVERSATION WITH MEMBER PETROLEUM WORKING COMMITTEE,
EMBOFF LEARNED COMMITTEE PREPARED TO RECOMMEND THAT RTG CABINET
PERMIT FIXED GASOLINE PRICE RISE OF APPROXIMATELY 12 PERCENT,
WHILE RECOMMENDING PRICE INCREASE FOR DIESEL FUEL OF 36 PER-
CENT. SUCH INCREASES WOULD ONLY BRING RTG FIXED PRICE IN
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LINE WITH PRESENT BLACK MARKET PRICES FOR GAS AND DIESEL.
UPWARD PRESSURE ON RTG FIXED PRICES FOR PETROLEUM PRODUCTS LIKELY
TO CONTINUE.

6. IN EFFORT TO ALLEVIATE OFTEN LONG LEAD TIME BETWEEN RISE IN
ME CRUDE PRICE AND RTG PERMISSION TO RAISE THE PRICE OF REFINED
PRODUCTS, OIL FIRMS APPARENTLY RECOMMENDED THAT RTG CONSIDER
ALLOWING PETROLEUM PRICES TO FLOAT WITH THE SINGAPORE PRICE.

SINCE A FLOAT WOULD MEAN DRAMATIC REDUCTION IN RTG COFOROL OVER
PETROLEUM PRODUCT PRICES IN THAILAND, PETROLEUM WORKING COMMITTEE
RESISTED THIS RECOMMENDATION.
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